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FINAL REPORT: ASSESSMENT OF COMMERCIAL PRIVATE SECTOR FOR HEALTHCARE PRODUCTS IN BANGLADESH

NOVEMBER 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by Action for Enterprise.

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Cooperative Agreement No.
EEM-A-00-06-00001-00
Subagreement No. 3569-001-AFE
Under FIELD-Support LWA
(managed by the Academy for Educational
Development)

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Prepared for: USAID/EGAT/PR/MD

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Version: 1.0

Assessment of Commercial Private Sector for Healthcare Products in Bangladesh
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ABBREVIATIONS

AED	Academy for Educational Development
AFE	Action for Enterprise
DGFP	Director General for Family Planning
DGH	Director General for Health
FW	Field Workers
GOB	Government of Bangladesh
H&FW	Health and Family Welfare
ICDDR/B	International Centre for Diarrhoeal Disease Research/Bangladesh
MRP	Maximum retail price
MSME	Micro- and Small-scale enterprise
MTP	Maximum trade price
NGO	Non-governmental Organization
NSDP	NGO Service Delivery Program
PMP	Private Medical Practitioner
PSP-One	Private Sector Partnerships for Better Health
OC	Oral Contraceptives
ORS	Oral Re-hydration Solution
RMP	Rural Medical Practitioners
RTM	Research, Training, and Management Intl. (formerly John Snow Intl./Bangladesh)
SMC	Social Marketing Company
SSI	Services and Solutions International
TDCI	Transcom Distribution Company Inc
TH&FW	Thana Health and Family Welfare
USAID	United States Agency for International Development
VAT	Value-added Tax

Acknowledgements

The authors would like to acknowledge the hard work of all the Team members: Commodore Harunur Rashid (Retd.) and Dr. Ahmed Al-Kabir of RTM International, and Md. Farid Uddin of Services and Solutions International. Their professionalism enabled us to efficiently gather and analyze a large amount of information in a short period of time. We would also like to recognize the valuable insights and frank comments received from all of the various businesses, both large and small, interviewed during the course of this assessment.

EXECUTIVE SUMMARY

Development programs focusing on the health sector are often designed around a particular target population, product or service. Such programs frequently overlook, however, commercial markets and inter-relationships between market actors that can affect the sustainability of delivery.

The goals of this study were to: 1) explore how a market development approach¹ could be used to promote the sustainable delivery of selected health care products to underserved populations in Bangladesh; and 2) identify opportunities for development programs to support commercial private sector initiatives in the healthcare sector of Bangladesh (and draw lessons for potential applications elsewhere). This pilot activity was funded through the FIELD Support project – a “Leaders with Associates (LWA)” award of USAID’s Office of Microenterprise Development.

The methodology used for this assessment is based on a “value chain” framework which seeks to understand the various factors that drive incentives, growth, and competitiveness within a particular industry. It is also based on a “market development approach” which seeks to promote sustainable solutions to industry constraints and opportunities through market forces.

The three major types of actors in the healthcare sector of Bangladesh are the public sector, NGO/non-profit private sector, and the commercial private sector. This assessment focused on understanding the role and dynamics of the *commercial private sector* in *selected healthcare products* in Bangladesh – oral contraceptives, condoms, oral re-hydration solutions (ORS), Vitamin A, and Zinc.

The primary research questions explored in the assessment were:

- How is the commercial private sector in Bangladesh involved in the manufacture, distribution, and/or retailing of the selected products?
- What are the commercial private sector challenges and opportunities to expanding the provision of these products to targeted end users (especially poor and lower middle-class consumers) in Bangladesh?
- How can these challenges/opportunities be addressed?
- What are the implications for development organizations interested in supporting the commercial private sector to develop commercially viable products/services that will improve healthcare sector in Bangladesh?

The assessment was conducted from June to July 2006 and began with a review of reports and other secondary information on: 1) the healthcare sector in Bangladesh, and: 2) the promotion of healthcare through the private sector. The assessment team conducted 58 in-depth interviews with a variety of market actors and key informants including: pharmaceutical firms, manufacturers, distributors/wholesalers, pharmacies, other retailers, healthcare providers, development projects, donors, and government agencies.

After interviews were completed, a focus group discussion was held with leading commercial private sector actors in the value chain to validate constraints/opportunities and discuss ways that donors could support them to increase the provision of affordable, commercially viable health care products for the poorer segments of the population.

¹ Market development approaches refer to strategies that promote the commercially sustainable delivery of products and services by market actors

Based on the results of the focus group discussion, one of the most important issues impeding greater commercialization of targeted products and increased outreach to the poor was the prevalence of public sector subsidies – on both the price and for the promotion/marketing of selected products. Although subsidies have played a critical role in initial market development for many of the targeted healthcare products in Bangladesh, on-going price and marketing subsidies within lower to lower-middle income market segments have limited commercial private sector participation. Participants at the focus group discussion discussed illustrative interventions to address these as well as other priority issues.

For healthcare sector programs in Bangladesh to apply a market development approach that encourages greater involvement by the commercial private sector, there are several strategies or programmatic principles to consider:

- ✓ *Avoid distorting markets with subsidized products or promotional campaigns where the commercial private sector sees opportunities for commercially viable products.*
- ✓ *Use short-term subsidies, combined with commercial private sector contribution, to mitigate investment risks and create business incentives to increase growth and outreach of healthcare products.*
- ✓ *Coordinate market development strategies in the healthcare sector with other donors.*

The objectives, methodology, and value chain framework used for this assessment are described in Section 1. Section 2 presents an overview of the value chain for the selected products. Section 3 presents specific profiles for each of the selected products, and Section 4 summarizes potential opportunities and illustrative interventions for increasing the commercially sustainable provision of these products by the private sector. Finally, Section 5 presents some of the issues raised in promoting a market development approach to the healthcare sector in Bangladesh.

1. INTRODUCTION

Development programs focusing on the health sector are often designed around a particular target population, product or service. Such programs, however, frequently overlook commercial markets and inter-relationships between market actors that can affect the sustainability of delivery. This can limit the commercial opportunities for private sector health care providers to grow their businesses, structure operations to serve poorer clients in a commercially viable manner, and offer an increasing range of products and services. By integrating a market-based approach, development programs can leverage private sector initiatives and help promote sustainable health impact. They can also improve the enabling environment for the commercial private sector in a way that fosters greater competition and innovation throughout the health care sector.

USAID has funded a number of initiatives that use private sector channels to improve the distribution of subsidized health care products (condoms, bed-nets, etc.) and services. Yet a systematic approach to identifying and assessing commercial market opportunities to benefit underserved populations in the healthcare sector is an innovation that remains to be tested and refined.

The goals of this study were therefore to: 1) explore how a market development approach could be used to promote the sustainable delivery of selected health care products² to underserved populations in Bangladesh; and 2) identify general opportunities for development programs to support commercial private sector initiatives in the healthcare sector of Bangladesh and (possibly) elsewhere. This pilot activity was funded through the FIELD Support project – a “Leaders with Associates (LWA)” award of USAID’s Office of Microenterprise Development³.

This section of the report describes the objectives, methodology, and value chain framework used for the assessment. Section 2 presents an overview of the value chain for the selected products. A map illustrating the primary functions and the inter-relationships of the various types of actors involved in the value chain is also shown. Section 3 presents specific profiles for each of the selected products, and Section 4 summarizes potential opportunities and illustrative interventions for increasing commercial private sector provision of these products. Finally, Section 5 presents some of the issues raised in promoting a market development approach to the healthcare sector in Bangladesh.

1.1 Specific Objectives and Deliverables

The specific objectives of this assessment were to:

- understand the role of the commercial private sector in providing selected healthcare products in Bangladesh;
- determine key constraints to/ opportunities for commercial private sector involvement in the sustainable manufacturing, distribution, and retailing of these products to reach target populations (poor, lower middle, middle-class) in Bangladesh;
- identify potential interventions that could support the commercial sector to increase outreach of these products to target populations in Bangladesh, and;

² Oral contraceptives, condoms, oral re-hydration solutions (ORS), Vitamin A, and Zinc

³ AFE is a core implementing partner for the FIELD Support project; Academy for Educational Development (AED) is the prime contractor (see:

http://www.microlinks.org/ev_en.php?ID=4722_201&ID2=DO_TOPIC for details).

- assess the application of market development approaches in the healthcare sector in Bangladesh.

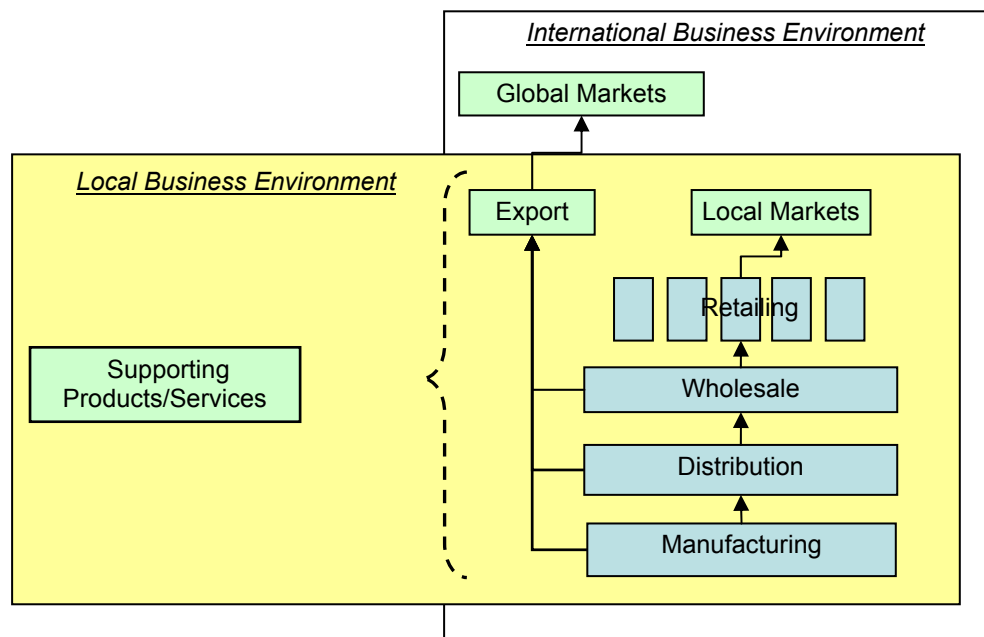
1.2 Methodology and Approach

The methodology used for this assessment is based on a “value chain” framework. A value chain encompasses the full range of actors, activities, and services required to bring a product (or service) from its conception to its end use and beyond. A value chain assessment seeks to understand the various factors that drive incentives, growth, and competitiveness within a particular industry; and identify the opportunities and constraints to increasing the benefits for micro, small, and medium-scale enterprises (MSMEs) throughout the industry.

Major elements of a value chain framework (see Figure 1 below) include:

- End Markets;
- Inter-firm Cooperation (vertical and horizontal linkages);
- Supporting Products/Services and;
- Business Enabling Environment (international and national);

Figure 1. Value Chain Framework



End Markets - End markets determine the characteristics of the final product or service produced. The demands and specifications of the end market or final buyer drive quality and standards. Therefore, understanding demand and trends of the end markets is critical to assessing value chain competitiveness.

Inter-firm Cooperation (vertical and horizontal linkages) – Cooperation between and among actors, through vertical or horizontal relationships, is critical to the efficiency and skills transfer within a value chain. Vertical linkages are the necessary relationships and functions to get a product from inception to the end market, including: input/raw material supply, production, processing, distribution, wholesaling, and retailing. Horizontal linkages, on the other hand, help actors performing similar functions to generate economies of scale and increase bargaining power.

Supporting Products or Services – Supporting products or services support the main functions or vertical linkages in a value chain. Examples include product design, advertising, input supply, transportation, and finance.

Business Enabling Environment (Local, National, and Global): Trade agreements, product standards, specifications, and policy or regulatory issues greatly influence the environment for business growth and competitiveness. The functions and incentives of actors throughout the value chain are often based on prevailing policies and regulations at different levels.

1.3 Assessment Focus and Activities

The three major types of actors in the healthcare sector of Bangladesh are the public sector, non-profit /NGO private sector, and the commercial private sector. This assessment focused on understanding the role and dynamics of the *commercial private sector* in *selected healthcare products* in Bangladesh. The role of non-governmental organizations (NGOs), non-profit entities, and public sector actors were reviewed but were not the main focus of this assessment. The assessment was also product-based, targeting selected healthcare products supported by USAID Bangladesh. These included oral contraceptives, condoms, oral re-hydration solutions (ORS), Vitamin A, and Zinc.

The primary research questions explored in the assessment were:

- How is the commercial private sector in Bangladesh involved in the manufacture, distribution, and/or retail of the selected products?
- What are the commercial private sector challenges and opportunities to expanding the provision of these products to targeted end users (especially poor and lower middle-class consumers) in Bangladesh?
- How can these challenges/opportunities be addressed?
- What are the implications for development organizations interested in supporting the commercial private sector to develop commercially viable products/services that will improve healthcare sector in Bangladesh?

The assessment was conducted from June to July 2006. It began with desktop research and review of reports and other secondary information on the healthcare sector in Bangladesh and elsewhere. Initial interviews were conducted in the Washington DC area with various healthcare projects and organizations including Abt Associates/ PSP-One and The Futures Group.

In-country field activities were conducted by a five-person team consisting of two members from AFE (including the Team Leader), RTM International and Services and Solutions International – two local consulting firms specialized in the healthcare sector of Bangladesh. The team conducted 58 in-depth interviews throughout Dhaka, Syhlet, and Bogra Districts with a variety of actors and key informants including: pharmaceutical manufacturers, distributors/wholesalers, pharmacies, other retailers, healthcare providers, development projects, donors, and government agencies. A list of the interviews conducted, and related healthcare products of interviewed manufacturers and distributors, is shown in Table 1 below.

Table 1. Summary of Interviews Conducted

<p><u>Manufacturers:</u> Renata Pharmaceuticals Square Pharmaceuticals Incepta Pharmaceuticals Beximco Pharmaceuticals Eskayef (SK+F) Pharmaceuticals Acme Pharmaceuticals Drug International Popular Pharmaceuticals Opsonin Chemical Organon (Bangladesh) Novartis (Bangladesh) Orion Laboratories/Beacon Bangla-German Latex Co. Ltd. GK Pharmaceuticals Essential Drug Co. Ltd.</p> <p><u>Distributors/Wholesalers:</u> Social Marketing Company (SMC) Transcom Distribution Co. Ltd. Tajarat Health Care (Imp/Distr) Shanto Enterprises (Imp/Distr) Syhlet/Bogra (Distr/Whlsle) Dhaka Wholesalers (Mitford Market)</p>	<p><u>Retailers:</u> Lazz Pharmacies (Dhaka) Local pharmacies (Mirpur) Local pharmacies (Syhlet town) Rural pharmacies (Syhlet Upazillas) Rural pharmacies (Bogra Upazillas)</p> <p><u>Healthcare Service Providers:</u> H&FW Clinics (Syhlet & Bogra unions) TH&FW Center (Bogra Upazilla) RMPs (Syhlet & Bogra Upazillas) PMPs (Syhlet & Bogra) Shimantik Clinic (NGO - Syhlet) Private Clinics (Syhlet & Bogra)</p> <p><u>Others:</u> DELIVER Project (John Snow Intl.) Independent Consultant to SMC USAID/W Social Marketing Specialist PSP-One Project [in U.S. office] The Futures Group [via phone interview]</p> <p>** Also conducted focus group discussion with commercial private sector</p>
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Tasks completed during the assessment included:

- initial briefing of USAID Bangladesh health office staff on objectives/scope of study and proposed itinerary and work plan;
- assessment of commercial private sector healthcare in Bangladesh using market development principles to: analyze the overall value chain, identify constraints and opportunities for sustainable provision of selected healthcare products to underserved populations, and propose illustrative intervention strategies;
- focus group discussion with commercial private sector actors from the healthcare industry in Bangladesh to validate and explore opportunities to increase the provision of selected healthcare products to underserved populations; and
- final de-briefing of USAID Bangladesh on the initial findings of the assessment, intervention strategies, and focus groups discussion results.

2. OVERVIEW OF THE VALUE CHAIN

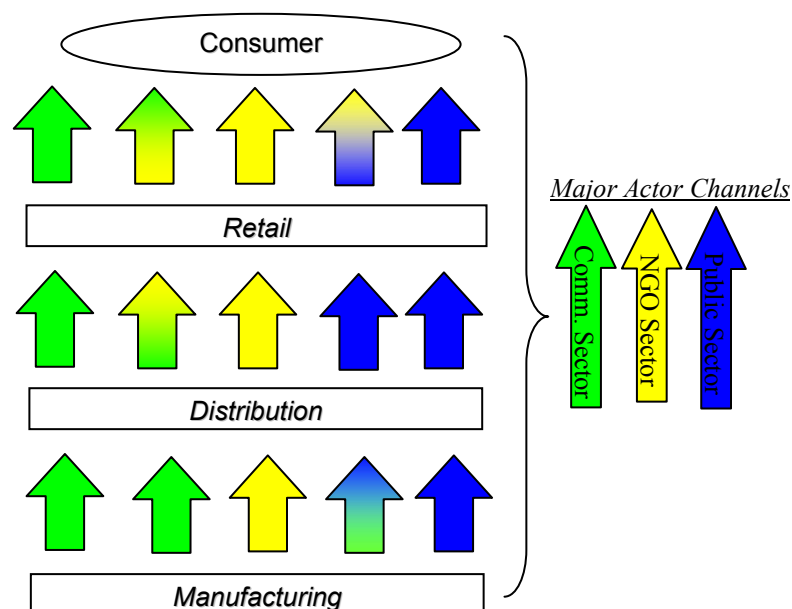
As stated above, healthcare products and services in Bangladesh are delivered through the public sector, the non-profit/NGO sector, and the commercial private sector. While each of these sectors has a distinct channel of supplying the targeted products (condoms, oral contraceptive pills, oral re-hydration solutions, zinc, and Vitamin A), there is also considerable overlap among them (see Figure 2 below). The targeted healthcare products are therefore presented in the context of a single aggregate value chain that includes all three of these actors. Section 3 contains more detailed profiles of each targeted product. While the commercial private sector is the focus of this assessment, the significant influence of the public and non-profit/NGO sectors are also discussed.

Using the value chain framework, this section presents an assessment of the value chain elements for the targeted products: end markets, inter-firm cooperation, supporting products and services, and the business enabling environment.

2.1 End Markets

The main end markets for the targeted healthcare products are domestic consumers. Over the past few years, the total local market for drugs and pharmaceuticals has grown 17.5% per annum and is valued as \$482 million⁴. While there are some exports, it is domestic demand that is the primary driver of growth. Local healthcare consumers in Bangladesh are segmented into five groups or quintiles based on their income level: poorest (quintile no. 1); lower middle (quintile no. 2); middle (quintile no. 3); upper middle (quintile no. 4); and wealthiest (quintile no. 5).

Figure 2. Major Value Chain Actor Types and Channels



Through a network of distributors, pharmacies, and retail outlets, the commercial private sector provides healthcare products to all consumer segments though the bulk of sales are directed to end users with the capacity to pay. The public and NGO sectors, on the other hand, focus their efforts on expanding the access and availability of healthcare products to poorer consumers in quintiles 1 and 2 with much less concern for cost recovery. When the public sector issues large-scale procurement tenders for healthcare products, they become an end market in themselves and represent a significant market opportunity for the commercial private sector.

2.2 Inter-Firm Cooperation

2.2.1 Vertical Linkages: these are the core relationships between actors performing different key functions in a value chain. A summary of the primary vertical inter-relationships among actors in the commercial value chain is presented in a value chain map (see Figure 3 at the end of section 2.3). For the targeted products, the primary value chain functions are manufacturing, distribution, and retailing.

Manufacturing - Most drugs, pharmaceuticals, and other healthcare products manufactured in Bangladesh are considered “branded generics”, which are products produced off-patent (i.e., when the legal protection for a company’s patented process has expired) yet differentiated by a local manufacturer’s brand name. Many local manufacturers are involved in the production of nutritional supplements and oral re-hydration solutions consumed in Bangladesh. However, there is currently only one local manufacturer of oral contraceptives and one manufacturer of condoms. As a result, most of the condoms and oral contraceptives available in Bangladesh are

⁴ from key informant interview with representatives of Popular Pharmaceuticals Ltd., June 15, 2006.

produced by large foreign manufacturers, especially from India and elsewhere in the region, and imported into the country.

Distribution – The range of activities necessary to move products from the manufacturer or importer to the retailer are considered to be part of the distribution function. This includes warehousing, storage, and transportation. The distribution function also includes the promotional efforts of manufacturers to inform and promote their products with medical practitioners, pharmacists, and retailers (also known as “detailing”).

Retailing – The targeted products are typically sold through a variety of commercial retailers (pharmacies, small kiosks, other retail outlets). In some cases, these products are subsidized by the public sector or donors. In other cases the products are distributed for free or sold at a subsidized price through NGO, project or government sponsored outlets.

The three sectors involved in the manufacture and/or distribution of the targeted products (public, NGO/non-profit, and commercial private sector) can be seen as "channels" in the value chain and are described in further detail below.

Public Sector Channel –The public sector channel consists of agencies of the Government of Bangladesh (GOB) and state-owned companies involved in the healthcare industry. The *Essential Drugs Co. Ltd.* is a state-owned and managed pharmaceutical company producing a wide range of drugs and medicines. Raw materials are imported but product manufacturing is done from its central factory in Dhaka. Essential Drugs is the primary supplier of products for the GOB. Distributed solely through government outlets, their products are not meant for commercial private sale. The distribution of healthcare products in the public sector is done through a network of government-run hospitals, health and family welfare clinics (H&FWCs), and front-line field workers at the district, sub-district (“upazilla”), and community (“union”) levels throughout the country. The Directorate General for Family Planning (DGFP) and Directorate General for Health (DGH) are the GOB agencies that oversee the distribution of products manufactured by Essential Drugs to government clinics/outlets. They also distribute some products to local NGOs and non-profit organizations for distribution and retail through their own channels.

The public sector channel is supported by multilateral and bilateral donors that fund the procurement and distribution of selected drugs and healthcare products to target beneficiary groups. As mentioned in Section 2.1 above, these institutional procurement tenders also represent significant markets for large foreign as well as local pharmaceutical companies.

NGO/Non-Profit Channel –The role of the public sector in healthcare product and service delivery in Bangladesh has shifted as donors increased their support of non-governmental organizations (NGO) and other non-profit entities. This is based on the premise that NGOs and other non-profit organizations are well placed to complement (and possibly substitute) the public sector delivery of healthcare products and services. For many in the healthcare field in Bangladesh, this is their fundamental approach to “private sector” development.

The *Social Marketing Company (SMC)* was established in 1974 as a local NGO with support from USAID and other donors. A pioneer in the distribution and marketing of public health products in Bangladesh, SMC is also the sole NGO involved in the manufacture of ORS. SMC enjoys significant domestic market share for oral contraceptives and condoms and acquires its products in different ways. In some cases their products are procured by donors or the GOB and given to SMC who then promote and sell them at reduced prices through their marketing channels. In other cases they purchase these products directly from international commercial manufacturers at market rates. SMC distributes these products through private pharmacies,

retail outlets, and other NGOs. They receive donor assistance to cover marketing campaigns and certain operating costs.

The USAID-funded “NGO Service Delivery Program (NSDP)” supports 41 local NGOs to deliver an essential package of health services including child health, maternal health care, reproductive health care, clinical and non-clinical family planning services, communicable disease control, tuberculosis, safe delivery, and limited curative care. The objectives of NSDP are to expand the range, quality, and capacity of NGOs to serve as health care providers in Bangladesh. Although they are mainly engaged in the delivery of services, most NGOs also distribute and retail the targeted products to their beneficiaries through their own network of *NGO Clinics, Field Workers, and Depot Holders*.

Depot holders are community-based entrepreneurs, usually women, supported by NGOs to serve as retail/distribution outlets for healthcare products (including oral contraceptives, condoms, ORS, delivery kits, sanitary napkins, and other items) from their home. Depot holders are identified and trained by an NGO to provide these services and, in most cases, receive a small honorarium (approximately \$5 per month). NGOs provide the initial supplies and the depot holder sells these products at 10 to 20% profit margin. Once the cost of initial supplies is repaid, the depot holders are able to take new supplies from the NGO.

Commercial Private Sector Channel – This channel is dominated by local pharmaceutical companies who manufacture and distribute most of the targeted products. The local pharmaceutical industry is very concentrated: of the 225 pharmaceutical firms in Bangladesh, the 20 largest companies supply 80% of the total local market for all branded generic drugs. These *large-scale local pharmaceutical firms* sell to domestic wholesalers, retailers, as well as international distributors. In some cases, these companies will also manufacture specified products on a contract basis for donor-sponsored organizations (SMC, NGOs, etc.).

Small and medium-scale local pharmaceutical companies have limited operations and do not have the extensive branded generic product lines of the larger pharmaceuticals. Many are recent entrants in the industry; enticed by the growing overall domestic market for healthcare drugs and products.

Based on interviews with some of the major local pharmaceutical companies, it is estimated that *international pharmaceutical manufacturers* (especially those located in the region) supply approximately 20% of the total local demand for all branded generic drugs in Bangladesh. They often have local corporate affiliates or subsidiaries in Bangladesh that are also referred to as “R&D” companies since they tend to produce their own patented brand products versus generic off-patent drugs. In addition to their direct sales to end users, international pharmaceutical manufacturers also supply the targeted products to SMC, private commercial distributors, donors, and the GOB.

The large domestic and international pharmaceutical firms in Bangladesh are vertically integrated companies. They conduct their own “detailing” operations to promote their products to medical practitioners and retail pharmacies through a network of marketing/sales representatives. Most firms have their own distribution networks composed of offices, depots, vehicles and agents based in strategic locations throughout the country. A few large pharmaceutical manufacturers however, use Transcom Distribution Company Ltd. (TDCL) – the only large-scale distribution company handling pharmaceutical products in the country. These manufacturers contract TDCL to distribute their products to wholesalers/retailers around the country as well as to collect payments for them.

From manufacturers, the targeted products are sold to private sector drug wholesalers and retail pharmacies. The distinction between a pharmaceutical wholesaler and retailer, however, is minimal and usually one of operational scale. Most drug wholesalers are found in urban centers where they are accessible by smaller sized pharmacies.

Private pharmacies can be found throughout the country and are generally clustered around medical clinics or health service providers. Numerous pharmacies, especially in rural areas, also provide consultation services by medical practitioners who are either formally or informally trained. There are few large-scale retail pharmacy chains outside of the cities. In addition to pharmacies, other retail outlets (e.g. tobacco shops, small groceries, etc.) sell non-pharmaceutical products including ORS and condoms. Most pharmacies buy directly from manufacturers on a cash-basis; few receive any form of supplier-credit. Bonuses for bulk purchases are offered by manufacturers to entice retailers to buy specific products.

A summary of manufacturers and distributors interviewed during this assessment, their related products (key product lines italicized), and market channels are presented in Table 2 below.

Table 2. Pharmaceuticals/Distributors by Related Products and Market Channels

COMPANY/ORGANIZATION	RELATED PRODUCTS	MARKET CHANNELS
Manufacturers/Pharmaceuticals		
Renata Pharmaceuticals	ORS, Zinc	Commercial
Square Pharmaceuticals	ORS, <i>Zinc (dispersible)</i>	Commercial
Incepta Pharmaceuticals	ORS, Zinc	Commercial
Beximco Pharmaceuticals	ORS, Zinc	Commercial
Eskayef (SK+F) Pharmaceuticals	<i>ORS, Zinc</i>	Commercial
Acme Pharmaceuticals	ORS, Zinc	Public, NGO, Commercial
Drug International	<i>Vitamin A</i> , Zinc	Commercial, Public
Popular Pharmaceuticals	ORS, Zinc	Commercial, Public
Opsonin Chemical	ORS, <i>Vitamin A</i> , Zinc	Commercial, Public
Organon (Bangladesh)	<i>Oral Contraceptives</i>	Commercial
Novartis (Bangladesh)	none of the related products	Commercial
Orion Laboratories/Beacon	ORS, Zinc	Commercial
Bangla-German Latex Co. Ltd.	<i>Condoms</i>	Public, NGO
Essential Drug Co. Ltd.	ORS, Vitamin A, Zinc	Public, NGO
Distributors/Wholesalers		
Social Marketing Company (SMC)	<i>Oral Contraceptives, Condoms, ORS</i>	NGO, Public
Transcom Distribution Co. Ltd.	Oral Contraceptives, ORS, Zinc	Commercial
Tajarat Health Care (Imp/Distr)	Oral Contraceptives, ORS	Commercial
Shanto Enterprises (Imp/Distr)	<i>Condoms</i>	Commercial
Syhlet/Bogra (Distr/Wholesale)	Zinc, Vitamin A, Oral Contraceptives, Condoms, ORS	Commercial
Dhaka Wholesalers ("Mitford")	Zinc, Vitamin A, Oral Contraceptives, Condoms, ORS	Commercial

2.2.2 Horizontal Linkages – These are linkages of value chain actors who perform similar functions. In terms of manufacturing, many of the large-scale pharmaceutical firms belong to the Bangladesh Association of Pharmaceutical Industries. Yet few of the actors interviewed receive

services from the association related to the manufacturing or marketing of the targeted products.

In terms of retailing, there are associations of pharmacies at district and sub-district levels, which assist local pharmacists with licensing requirements and occasionally with problematic relations with a pharmaceutical manufacturer. The Bangladesh Pharmaceutical Society is the national organization of registered pharmacists with the primary objective of advancing the pharmacy profession and helping pharmacists to become effective partners in implementing the National Health Program.

No other direct functional groupings or relationships were observed in the value chain.

2.3 Supporting Products and Services

One of the most important "service providers" to value chain actors producing and distributing the targeted products are the *medical practitioners* who serve as critical gateways to final consumers and shapers of consumer opinion. Although they are not end users of the targeted products themselves, medical practitioners may suggest/prescribe the products for their patients or at least have considerable influence on their choice of product. For this reason, physicians and other medical professionals are the primary target of pharmaceutical company marketing strategies to promote their products' effectiveness and efficacy.

Medical practitioners in Bangladesh are generally of two sorts: formally trained (e.g., physicians, nurses, para-medical professionals, etc.) or informally trained (e.g., pharmacists and alternative private providers, traditional healers, etc.). As shown in Table 3, the majority of healthcare providers are informally trained. Given the large number and informal nature of these private sector healthcare providers, especially in the rural areas, pharmaceutical companies in Bangladesh have found it difficult and costly to significantly expand outreach to them.

Table 3. Estimated Number of Healthcare Providers in Bangladesh ⁵

Healthcare Provider Type	Total Estimated No. (2001)	Estimated No. per capita	Private Sector %
<i>Formally Trained</i>			
Doctors	23,000	19	50%
Nurses	13,000	11	42%
Para-medicals	81,000	66	65%
<i>Informally Trained</i>			
Alternative priv. practitioners	284,000	231	100%
Allopathic providers	110,000	90	100%
Traditional providers	173,000	141	100%

Marketing and Advertising – While the marketing of prescription drugs to the public is not allowed in Bangladesh, marketing of most of the targeted products in this assessment (ORS, oral contraceptives, and condoms) is permitted. In some cases, donor programs have used private advertising firms to help them in promoting these products. Some of these firms (which normally cater to the commercial private sector) have expanded to meet the "social marketing" needs of donors and the public sector. Unitrend Ltd. (an affiliate of McCann-Erikson Worldwide)

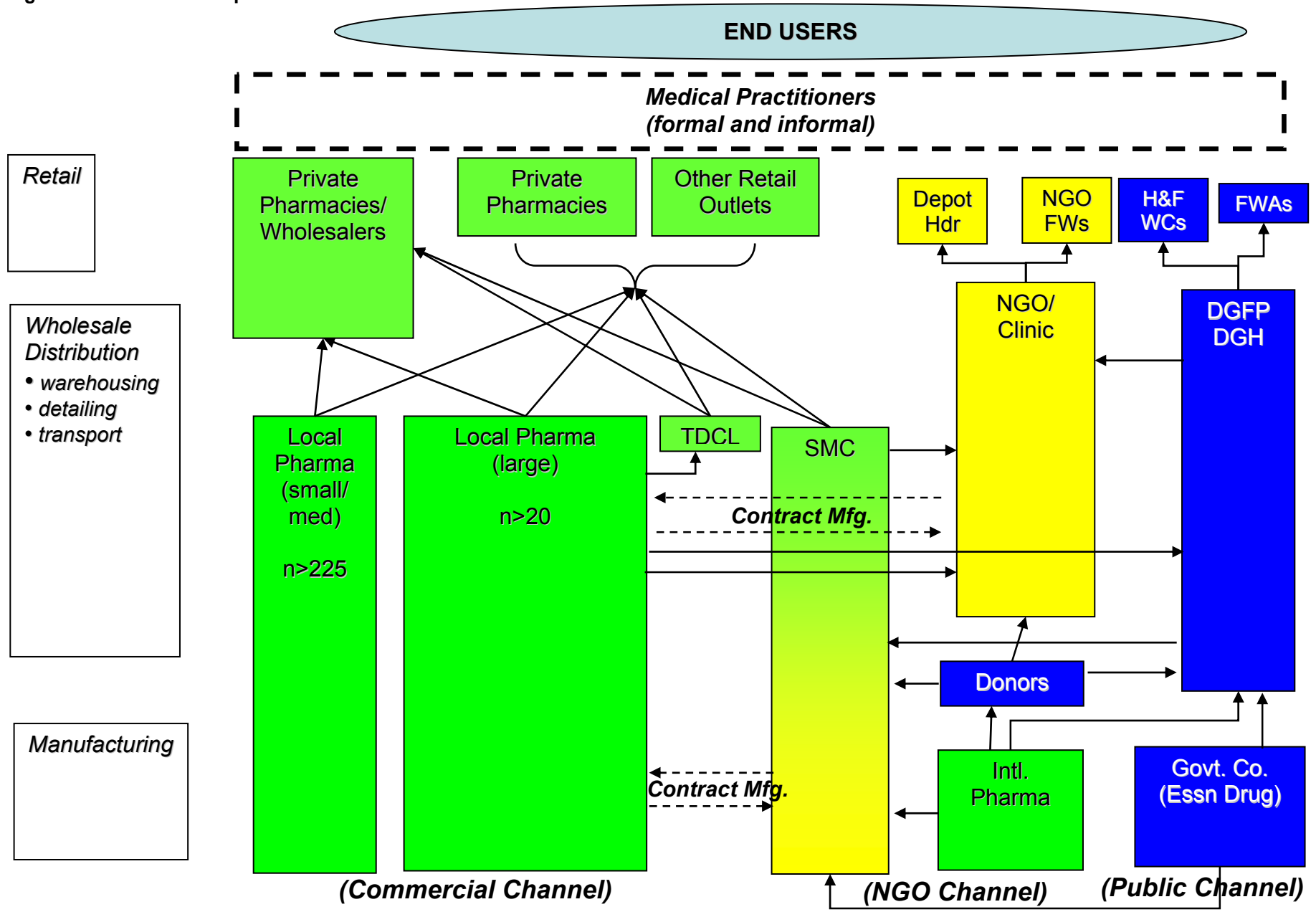
⁵ *Private Sector Assessment for Health, Nutrition and Population (HNP) in Bangladesh*; World Bank (report no. 27005-BD); November 18, 2003; p 3.

is the largest advertising company in Bangladesh and recently started a social marketing division to service clients in this market segment.

Supported by donor funding, the public marketing of ORS and oral contraceptives in Bangladesh is dominated by SMC. As a result, brand awareness of SMC's products among local consumers is very high. Commercial private sector manufacturers of contraceptives and ORS have also invested in marketing and advertising campaigns for these products but are unwilling/unable to match the level of SMC spending.

Finance – There appears to be no specialized financing for the manufacturing, distribution, or retailing of the targeted products. A few retailers are offered supplier-credit, but most of the distribution transactions are completed on a cash basis. The large and medium-scale pharmaceutical firms interviewed did not mention finance as a constraint to their operations.

Figure 3. Value Chain Map



2.4 Business Enabling Environment

A few of the relevant enabling environment issues concerning the targeted products are summarized below.

Corruption in Distribution and Retail: Corruption is unfortunately a major issue in Bangladesh that affects all sectors, including the healthcare sector. It appears to be more pronounced during product distribution and retail, where some manufacturers are said to provide “incentives” (cash and in-kind) to medical practitioners to prescribe and promote their brands to patients. While some of these practices may be prevalent in the pharmaceutical industry worldwide, systemic corruption was specifically mentioned during the interview process as a major constraint to increased growth and competitiveness of the pharmaceutical sector in Bangladesh.

Price Control on Pharmaceutical Products: The Department of Drug Administration is the GOB agency that oversees the manufacturing and retailing of drugs and medicines in Bangladesh. They are responsible for setting the maximum trade price (MTP) that manufacturers can charge and the maximum retail price (MRP) that consumers should pay for all registered drugs and medicines in the country.

The calculation of MRP is based on the following formula:

$$\begin{array}{r} \text{Maximum Trade Price (MTP)} \\ + \quad 15\% \text{ Value-added Tax (VAT)} \\ + \quad \underline{16\% \text{ Approximate allocation for retailer margin}} \\ = \quad \text{Maximum Retail Price (MRP)} \end{array}$$

If healthcare products are imported into Bangladesh, the Department of Drug Administration will determine the MTP based on the invoiced value of the drugs and medicines imported⁶. All drugs and medicines should have the MRP clearly marked on its packaging.

As a result of GOB price controls on drugs, as well as past governmental restrictions on foreign manufacturers, the presence of international pharmaceutical companies is limited in Bangladesh. Local manufacturers, on the other hand, are able to competitively meet the demand for lower-priced, branded, generic drugs in the local market than international R&D pharmaceutical firms. The set allocation for retailer margins has also been used by local manufacturers as part of their marketing strategy to entice distributors and retailers to stock their brands and product lines.

Government regulations for Public Procurement: Given the scale and value of GOB purchases, it is important that the entire public sector procurement process is completely transparent and accountable.

In collaboration with its donors, partners, and all stakeholders, the GOB improved its procurement principles and practices (Public Procurement Regulations 2003) in line with international standards to promote fairness and competition in the public procurement process—including drugs and medicines. USAID’s on-going DELIVER project in Bangladesh has also been supporting initiatives to increase the efficiency and transparency of public sector procurement in the healthcare sector.

⁶ According to a key informant, the Drug Administration sets MTP for imported drugs at 150% of invoiced price. Manipulation of import invoices can therefore be a concern.

3. PRODUCT PROFILES

The following section presents brief profiles of the targeted healthcare products. These profiles include information on end markets, principle manufacturing, distribution and retail channels, and the involvement of the public sector and donors.

3.1 Oral Re-hydration Solution (ORS)

End Market Information: The Bangladeshi public is very familiar with the benefits of ORS and exhibit a strong willingness to pay for the product. This is probably the result of years of effective social marketing campaigns of SMC and other publicly-funded initiatives. The market segments for ORS can be broken down by product lines – unflavored or flavored.

Unflavored brands outsell flavored brands and are typically registered as a pharmaceutical product which must meet certain quality production and content standards. A few unflavored brands also satisfy higher international standards for ORS from recognized global organizations including the WHO and UNICEF.

The main flavored brands are *Tasty* (manufactured by SMC) and *Fruity* (manufactured by a large food company – Universal Ltd.). Although the distinctions are not apparent to most consumers, the *Fruity* brand contains citric acid it is actually registered as a food product while SMC's *Tasty* brand is a traditional ORS medicinal product.

There do not appear to be distinct price segments in the local market for ORS. All of the brands are within the same price range and are competing on brand and manufacturer identity, rather than price per se.

Manufacturing/Distribution: The largest distributor of ORS is SMC with approximately 70% market share for its unflavored *ORSaline* brand and 50% for its flavored *Fruity* brand⁷. SMC recently began manufacturing ORS in its own factory. Previously, a local commercial private sector pharmaceutical firm (Renata Ltd.) manufactured SMC's ORS brands on a contract basis. All other ORS flavored and unflavored brands are made and distributed by private sector manufacturers. Eskayef and Renata Ltd. are SMC largest competitors for the unflavored ORS market.

Retailing (Consumer Sources of Supply): In general, ORS products are registered as pharmaceutical products but are sold "over the counter"; requiring no formal prescription from a physician. Both flavored and unflavored brands are found in a broad range of outlets including pharmacy retailers, NGO clinics, kiosks, and small retailers/grocery stores.

Role of Public Sector and Donors: The availability of ORS is a public health priority for the GOB as a means of mitigating the effects of diarrhea, especially during the monsoon season with its seasonal floods. After nearly 30 years of public sector promotion, awareness and use of ORS is widespread. The direct subsidization of such campaigns, however, has been reduced in recent years as awareness and demand have risen. This has created new market opportunities for commercial private sector actors to pursue.

3.2 Oral Contraceptives

End Market Information: Oral contraceptives (OC) are the most commonly used contraceptive

⁷ Percentages are based on self-reported data from SMC staff during the interview process.

method followed by injectables and condoms. A 2004 study⁸ showed that over 60% of married women have used OC while only 20% have used condoms as their method of family planning. In the OC market, there are four different market segments namely free, low-cost, middle-priced and high-priced (see Table 4).

The free OC brand *Shuki* is distributed by the public sector through its network of clinics. The low-cost brands are *Femi-con* and *Mini-con*, the latter being a post natal pill for lactating mothers. Consumers of these brands pay a marginal price, often less than 20% of the cost of middle-priced brands.

The middle-priced brands include *Nordette 28* and *Ovostat Gold*. Although there is little chemical difference between the middle-priced and low-cost brands (both are full-dose OC pills), there is a distinct consumer preference for the middle-priced brands. Retailers and users indicated that low-cost brands are associated with the very poor “like the rickshaw drivers” as one retailer put it. Middle-priced brands have more positive connotations like greater financial well being and higher self-esteem.

Of the several high-priced OC brands on the market, two of the most popular are *Marvelon* and *Cilest*. These brands target wealthy consumers and typically cost 200-400% more than the middle-priced brands.

Table 4. Market segments and average retail prices for popular OC brands (in Taka)

Brand	Free	Low-cost	Middle-priced	High-priced
Shuki	Free			
Femi-con		8		
Nordette 28			28	
Ovostat Gold			35	
Marvelon				70
Cilest				140

Manufacturing/Distribution: All OC pills are commercially manufactured by foreign-owned multinational pharmaceutical manufacturers. Only one of these manufacturers (Organon Ltd.) has a production facility in Bangladesh. Organon brand *Ovostat Gold* and *Marvelon* capture 10% of the total market volume. Due to their high cost, however, they represent roughly 40% of the total market value. Within the next six to twelve months, however, two local manufacturers have plans to open their own facilities to produce a range of hormone-based pharmaceuticals - mainly for hormone replacement therapies but also oral contraceptives. These local firms will focus on the large domestic market, institutional buyers in the public sector (GOB and donors), and possible export sales within the region.

After the public sector, SMC is the second largest distributor of OC capturing close to 40% of the domestic market volume. It sells over 29 million cycles⁹ a year of its low-cost brand *Femi-con* and 6.5 million of the middle-priced *Nordette 28*. Only 2 million cycles of *Mini-con* are sold per year, given its special target market of lactating mothers.

SMC’s low-cost brands are purchased from multinational companies by donors, notably USAID, and given to SMC to sell at prices affordable to poor consumers. However, SMC purchases *Nordette 28* from a multinational pharmaceutical company (Wyeth) with its own funds at market

⁸ Bangladesh Demographic Health Survey 2004; National Institute of Population Research and Training et.al.; May 2005

⁹ Oral contraceptive pills are sold on a per menstrual cycle basis (sufficient supply for approximately one month).

rates. Although the purchase of *Nordette 28* is not directly subsidized, SMC's costs of commercializing it are (through various forms of donor support and cross subsidies).

Retailing (Consumer Sources of Supply): OCs are available from commercial retailers, NGOs, and public sector clinics. Although it is technically a prescribed product, most OC sales are done without a physician's prescription. Many retailers noted that first-time buyers typically come with a prescription but not afterwards.

All of the retailers contacted for this analysis carried *Femi-con* and *Mini-con* brands; most also stocked *Ovostat Gold* and *Nordette 28* brands. Most retailers in Dhaka carried the high-priced brands such as *Marvelon* but less than half of all rural retailers contacted carried these higher-priced OCs.

Role of Public Sector and Donors: The accessibility of OCs to all segments of the population, especially the poor and very poor, is a key component of the GOB's policy for ensuring population growth and promoting family planning. As such, the GOB is committed to providing free OC to the very poor through its public clinics in the near and long-term. The commercial private sector supports this policy, recognizing that they are ill equipped to profitably target this segment of the population.

International donors actively support the GOB purchase of OC for its free *Shuki* brand and assist local NGOs such as SMC acquire OC to market at highly subsidized rates. In addition, the GOB has made a policy exception allowing OC distributors to market their products directly to consumers, which is otherwise prohibited for other pharmaceutical products.

3.3 Condoms

End Market Information: The use of condoms¹⁰ in Bangladesh is increasing steadily. In the past 30 years, family planning has increased roughly 400% for married women (between the ages of 10 and 49) but only 20% of married women have used condoms as their method of family planning.

Similar to the domestic OC market, the market segments for male condoms are price-based: free, low-cost and middle-priced. The free condom brand *Niraput* is distributed through public sector and NGO clinics. The *Raja* brand is the only low-cost condom. The middle-priced condoms are twice as expensive as the low-cost brand, and include the brands *Panther*, *Sensation*, *Green Love*, and *Freedom*. Imports from China have started to directly compete with the middle-priced condom brands (see Table 5).

Table 5. Market Segments and Average Retail Prices for Condom Brands (in Taka)

Brand	Free	Low-cost	Mid-priced
Niraput	Free		
Raja		4	
Panther			7-9
Sensation			8-10
Green Love			8-10
Freedom			9-11

Manufacturing/Distribution and Retail: All condoms sold in Bangladesh are manufactured by commercial private sector enterprises. Most come from manufacturers in China and Malaysia.

¹⁰ "Condoms" in this report refers to male condoms

The only local condom manufacturer is Bangla-German Latex Co. Ltd., which is located in Bangladesh's Export Production Zone (EPZ). The company has a production capacity of 60 million condoms a year but is currently producing far under capacity. Its *Freedom* brand is almost exclusively sold in the international market.

SMC is the main distributor of *Raja*, *Panther* and *Sensation* brands. The *Raja* and *Panther* brands are subsidized by donors, whereas its *Sensation* brand is purchased with its own funds at market rates from Malaysian suppliers. Overall, the SMC brands have captured roughly 70% of the national condom market. According to a major condom importer (Shento Ent.), the Malaysian manufacturer of the *Green Love* brand is the same manufacturer for SMC's *Sensation* brand.

Condoms are found in most retail pharmacies and small-scale stores and in NGO and other public clinics.

Role of Public Sector and Donors: Along with OC, condoms figure prominently in the GOB strategy for population control and family planning. The GOB estimates local annual supply of between 250 and 300 million condoms a year. To assure continued supply to meet this demand, the GOB is planning to build its own condom production facility (with a projected capacity of 150 million condoms per annum). The future facility, to be operated by the state-owned Essential Drugs Co. Ltd., is not expected to launch production for another year or more.

3.4 Zinc

End Market Information: Zinc is commonly prescribed for people suffering from acute diarrhea and has recently been shown to be extremely effective in speeding the recovery in children, especially those under the age of five. Zinc syrup is the most commonly prescribed and purchased product formulation of zinc. However, a dispersible zinc tablet has recently been developed for ease in administering to very young children.

The team did not note any significant price segments for Zinc products in Bangladesh. Product differentiation was based primarily on brand rather than price, so price data for zinc is not presented here.

Manufacturing/Distribution: The leading manufacturer of zinc syrup ("Xinc" brand) is Eskayef, however almost all the major international pharmaceutical companies produce and distribute a zinc syrup product.

Research and distribution of dispersible zinc tablets¹¹ has been led by the International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR/B). To date, Square Pharmaceuticals Ltd. (a locally owned company) is the only local manufacturer of zinc dispersible tablets. Its products, however, do not yet meet the quality standards of international health institutions. ICDDR/B recently signed a memorandum of understanding with ACME Laboratories (a local pharmaceutical company) to manufacture dispersible zinc tablets in accordance with all international standards. ACME Laboratories benefited from a tablet formulation technology developed by Nutriset, a French company. Renata intends to produce its own zinc tablets under a similar contract manufacturing agreement using their own formulation process.

Retailing (Consumer Sources of Supply): Zinc syrup is prescribed by medical practitioners and can be found at pharmacy retailers, and NGO and GOB clinics. Although zinc dispersible tablets

¹¹ Dispersible tablets must be dissolved in a teaspoon of water before consumed. They are considered to be a more efficient and portable zinc formulation versus syrup, especially for children.

can also be found at pharmacy retailers, ICDDR/B is the primary distributor of free or subsidized products for the rural poor.

Role of Public Sector and Donors: As with ORS, efforts to combat diarrhea are an important public health priority for GOB and donors. Developing and testing the zinc dispersible tablets has recently enjoyed significant public sector and donor support (mainly through the ICDDR/B). There is little to no public sector or donor involvement in the manufacture and distribution of zinc syrup since the commercial private sector is generally meeting the needs for this product.

3.5 Vitamin A

End Market Information: Vitamin A is most often given as a supplement to children to boost their resistance to numerous childhood illnesses. The major market for Vitamin A as a stand-alone product is from institutional buyers like the GOB who distribute it to children during vaccination campaigns. Outside of institutional buyers, there is a limited commercial market for Vitamin A.

On the commercial market, price segments for Vitamin A are not apparent in Bangladesh. Similar to Zinc and ORS, product differentiation is driven more by brand loyalty than by price in the local market.

Manufacturing/Distribution: Only two local manufacturers currently produce a Vitamin A product. Drug International Ltd. produces the leading commercial brand. Another manufacturer, Opsonin Ltd., makes smaller quantities and intends to soon discontinue this product as it is not profitable. It currently sells less than 4,000 units (each unit contains 10 tablets) per month.

Retailing (Consumer Sources of Supply): Vitamin A is mostly distributed to end users through NGO and public clinics. A limited amount is sold through pharmacies.

Role of Public Sector and Donors: Vitamin A figures prominently with the GOB and NGOs as part of publicly funded campaigns to increase child well-being immunization campaigns when Vitamin A is given in conjunction with vaccinations.

4. ASSESSMENT FINDINGS AND ILLUSTRATIVE INTERVENTIONS

This section presents the key issues and challenges affecting the sustainable commercialization of targeted products by the commercial private sector¹². Based on the results from a focus group discussion held with leading commercial actors in the value chain, this section also examines potential interventions to address the most pressing challenges.

4.1 Major Constraints to Commercialization of Selected products (to target population)

Some of the major issues affecting the increased commercialization of the selected products to targeted end-consumers include:

Cost of Distribution

High cost of promotion and marketing – since many of the targeted products are preventive rather than curative in nature (thereby reducing the urgency to buy them), on-going promotion and marketing is necessary. Building widespread awareness among consumers, retailers, and

¹² Commercialization here refers to the sustainable (profitable) production and sale of the targeted products by commercial private sector actors without donor or government subsidy.

medical practitioners requires significant investments. The cost of advertising and promotion via radio, television, and other mass media is high.

Logistics and cost of distributing – moving products from the manufacturer to a retailer, especially in rural areas, entails access to adequate warehousing, transportation, and storage. Due to poor infrastructure and seasonal flooding in the more remote areas, commercial private sector outreach to these consumers is prohibitively expensive.

Prevalence of Public Sector Subsidies

Subsidized promotion and marketing – For many years, donors and the GOB have actively subsidized the high costs of promoting and marketing the products targeted in this assessment. These subsidies have been directed to NGOs and companies like SMC whose products now enjoy high brand awareness among targeted populations.

The on-going existence of these subsidies, however, creates a competitive disadvantage that reduces the incentives for local commercial manufacturers to invest in the development and marketing of products that could be sold (without subsidy) on the local market to the targeted populations. This is especially apparent in the condom market in Bangladesh which continues to be dominated by the public and NGO channels of delivery and retail. Commercial private sector opportunities to supply target populations are therefore limited.

On the other hand, a few of the major local manufacturers of ORS products (Eskayef, Renata, Universal, etc.) have started to promote their own ORS brands as a result of the market for these product lines throughout the market. The years of subsidized promotion and product awareness for ORS in Bangladesh have certainly spurred local commercial demand. But local manufacturers stated they were still hesitant to make large-scale investments as it is difficult to compete with those channels who continue to receive subsidized promotional campaigns.

Availability of Subsidized Products – in addition to subsidized promotion, the end-user price for some of the targeted products is also subsidized in order to improve product affordability for the poor. The availability of subsidized or free products, however, can reduce consumer's willingness to pay market prices for these products. Price subsidies have been, and probably will continue to be, used by the GOB and other donors to ensure access to essential drugs for the poor and very poor in Bangladesh. But for those healthcare products (e.g. ORS, condoms, and oral contraceptives) where commercial opportunities exist for targeted market segments, the prevalence of price subsidies reduces the incentives for the commercial private sector to invest in the production and widespread distribution of these products.

A summary of the main market segments, market channels, and extent of subsidies for each of the targeted products are presented in Table 6 below.

Table 6. Market Segments, Channels, and Extent of Subsidies by Target Product

Target Product	Market Segment	Market Channel	Prevalence and Type of Subsidies
ORS	Low	Public, NGO	High: Price / Marketing
	Lower/Middle	NGO, Commercial	Medium: Price / Marketing
Oral Contraceptives	Low	Public, NGO	High: Price /Marketing
	Lower/Middle	NGO, Commercial	Medium: Price / Marketing
Condoms	Low	Public, NGO	High: Price / Marketing
	Lower/Middle	NGO, Commercial	Medium: Price / Marketing
Zinc	Low	Public	Medium: Price
	Lower/Middle	NGO, Commercial	Low: Price
Vitamin A	Low	Public, NGO	Medium: Price
	Lower/Middle	NGO	Low: Price

Public Sector Procurement

Public procurement practices – As seen in previous discussions, the GOB and Donors have traditionally been large buyers of the products targeted in this assessment. Current regulations however (stemming from the GOB Public Procurement Regulations 2003) have limited the participation of local commercial manufacturers to participate in these procurements. Improved access to GOB/Donor procurement could increase the revenues of these firms and encourage them to invest in greater production of the targeted products - though it would be unclear whether these clients would be able to continue their procurements indefinitely.

A reliance on GOB and Donor markets could also reduce the incentives of local manufacturers to invest in the development of new/innovative products that could be sold profitably to low income consumers on the local market. Given the choice, manufacturers might prefer selling in large volume to the GOB/Donors rather than taking on the challenge of developing and marketing a product that is commercially viable with local consumers. As seen earlier, the continued existence of subsidized products in these markets also makes them less interesting for this kind of investment.

Loss of Brand Identity – some local manufacturers also expressed hesitancy to bid on public tenders because of the possible loss of their products' brand identity. If branded products were sold to the public sector (and offered for free or at subsidized prices to “targeted” end-users), they might find their way into conventional markets at lower than prevailing prices. This could create consumer confusion and potential loss of brand differentiation.

4.2 Prioritizing the Key Issues

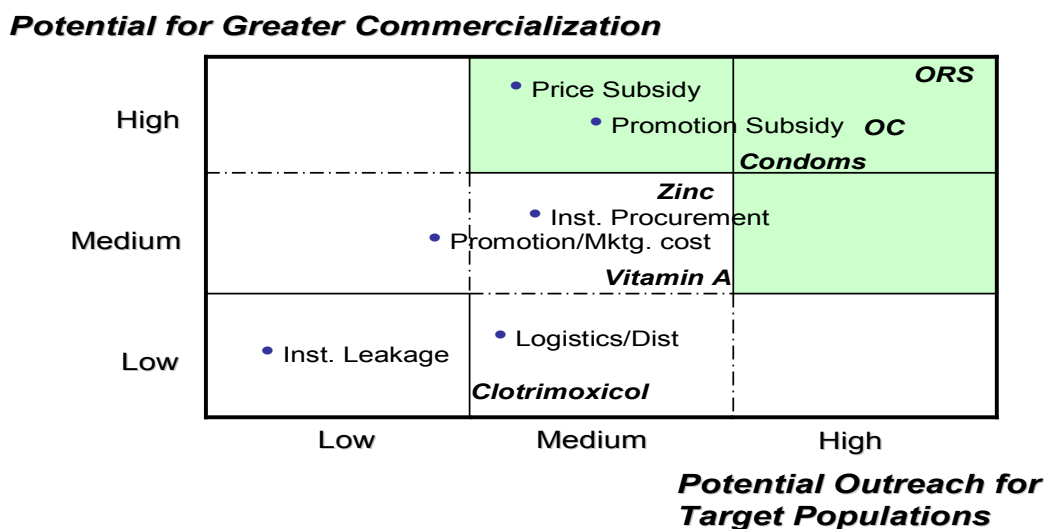
AFE conducted a focus group discussion with leading commercial private sector actors in the value chain to validate/prioritize the issues identified above and discuss potential interventions to address them. A simple matrix was used to identify the highest priority issues. This matrix included two criteria: (i) the potential for increased growth of the commercial private sector in the commercialization¹³ of targeted products; and (ii) the potential outreach to under-served target populations. The issues that posed the greatest impediment to achieving these objectives were rated as highest priority.

Based on the results of the focus group discussion, one of the most important issues impeding greater commercialization of targeted products and increased outreach to the poor was the prevalence of public sector subsidies – on both the price and for the promotion/marketing of selected products. Although subsidies have played a critical role in initial market development for many of the targeted healthcare products in Bangladesh, on-going price and marketing subsidies within lower to lower-middle income market segments has limited commercial private sector participation.

The short-listing matrix was also used to prioritize the targeted products of this assessment. Using the same selection criteria, the three healthcare products with the most potential for sustainable commercialization and outreach in Bangladesh were ORS, OCs, and condoms. Figure 4 is a graphical prioritization of the general views and opinions expressed by participants from the commercial private sector during the focus group discussion.

¹³ As seen earlier, commercialization here refers to the sustainable (profitable) production and sale of the targeted products by commercial private sector actors without donor or government subsidy.

Figure 4. Constraints/Opportunities Shortlist: Products & Issues



4.3 Illustrative Intervention areas

During the focus group discussion, the following illustrative intervention areas were suggested by commercial private sector participants as possible means to address the priority issues:

Build Partnerships that Incorporate the Commercial Private Sector: The commercial private sector feels it is not viable to commercialize some of the targeted products to the poorest users (quintile 1) because of these users' low purchasing power. However, all commercial private sector actors agreed that users in the 2nd and 3rd quintiles of the population represented growing market opportunities for their products. Building on these commercial incentives, development practitioners should explore partnerships with private sector actors to improve the commercial sustainability and availability of targeted products.

Conduct a Generic Marketing and Promotion Campaigns: For almost 30 years, publicly-funded NGOs in Bangladesh have successfully raised the awareness and gained market share for their branded healthcare products (especially family planning and ORS products). However, as commercial private sector manufacturers also begin to market these products these actors felt that public efforts to support awareness of these products (and their benefits) should not focus on specific brands. They felt that generic product awareness campaigns warranted subsidies whereas promoting a specific brand did not as it left them at a competitive disadvantage.

Publicly-supported generic product campaigns would greatly benefit these commercial private sector actors, but subsidized promotion of a particular brand should be restricted. The focus group participants suggested a number of possibilities for generic product promotion:

- on-going public awareness campaigns, led by public institutions, as part of an overall public health strategy;
- similar public awareness campaigns that are led by, or done in conjunction with pharmaceutical manufacturers; or

- public awareness campaigns that include and promote a short-list of commercial product brands in which the manufacturers cost-share and participate with public institutions

Organize a Forum for Commercial Private, NGO, and Public Sector Dialogue: There are currently few opportunities for dialogue among the commercial private, NGO/non-profit, and public sector actors. A forum could be facilitated to engage all three types of value chain actors around specific topics of common interest.

Illustrative topics could include:

- transparency in the allocation and management of public subsidies. Many commercial manufacturers felt that if the application and strategies for subsidies were known, they could better plan their production and marketing operations to the targeted populations.
- regulatory policy reforms to the procurement process. Restructuring aspects of the public sector procurement process could increase the participation of local manufacturers in such tenders and improve their competitiveness.

5. APPLICATION OF MARKET DEVELOPMENT APPROACHES IN THE HEALTHCARE SECTOR OF BANGLADESH

One of the objectives of this assessment was to assess the application of a market development approach to the healthcare sector in Bangladesh. This section looks at how this approach was applied during the assessment, lessons learned, and at the implications of findings for development practitioners promoting healthcare in Bangladesh (and potentially elsewhere).

A key premise of this assessment was that the commercial private sector is an important channel for the development and distribution of healthcare products. As seen above, the commercial private sector plays an active to latent role in the manufacture and distribution of the five selected health products to the targeted population segments. Encouraging this commercial sector to play a more active role can contribute to more sustainable provision of these products.

To date, donors and the GOB have subsidized the development of end-user demand and the continued provision of the five select products. A more involved commercial private sector could reduce the scope of subsidy needed to develop demand and curtail the long-term need for subsidy to make these products available and affordable. The lessons learned in applying a market development approach as well as implications for development practitioners promoting healthcare in Bangladesh are described below.

5.1 Lessons Learned in the Analysis of the Healthcare Sector

To understand the extent of commercial private sector involvement, this analysis had to begin by differentiating the role of purely commercial actors from those of the public sector and the non-profit/NGO sector. This latter group, from the view of many development practitioners, is often characterized as part of the private sector. In a market development approach, this obscures the market forces and incentives that shape the actions and investments of purely commercial actors.

In most non-healthcare market contexts, the role of the public sector is considered part of the enabling environment by looking at how policies and government support affect the context for business growth and sector competitiveness. In the Bangladesh healthcare sector, the public sector's role was assessed in two ways. First, GOB policies and public healthcare objectives were examined for their affect on commercial players. Second, since the GOB is a significant player itself in the manufacture, distribution and retail (free) of the products selected for

analysis, a more nuanced understanding was required of this public sector channel and its relationship with end-users. Therefore, interrelationships between public sector actors, directly involved in the sector, and actors in other channels comprise part of the overall value chain/sector map

Lastly, this assessment of the healthcare sector needed to account for the critical role of medical practitioners. Although they are not directly involved in the sale or distribution of medical products, medical practitioners have enormous influence over end-users as to adopting new treatments and recommending (or insisting on) particular brand products. The influence of medical practitioners becomes especially important to product manufacturers when direct promotion to end-users is not allowed. As such, it was important to characterize the relationships and interaction between manufacturers/distributors and medical practitioners on the one hand and between medical practitioners and end-users on the other.

5.2 Implications for Healthcare Sector Programs

Results of the assessment showed that for healthcare sector programs to apply a market development approach that encourages greater involvement by the commercial private sector, there are several strategies or programmatic principles to consider:

- ✓ *Avoid distorting markets with subsidized products or promotional campaigns where the commercial private sector sees opportunities for commercially viable products.*

For example, manufacturers of OC and ORS in Bangladesh are keenly interested in those market segments of poor and less poor Bangladeshis (2nd and 3rd quintiles). These product manufacturers all noted a willingness to spend more on product promotion and production but felt that existing subsidies created a competitive disadvantage that warranted a slower approach to introducing and promoting their products.

- ✓ *Use short-term subsidies, combined with commercial private sector contribution, to mitigate investment risks and create business incentives to increase growth and outreach of healthcare products.*

An example of this short-term use of subsidies would be to work with the commercial private sector on a generic awareness raising campaign to develop end-user demand for a particular product as was suggested by the participants in the focus group part of this analysis.

- ✓ *Coordinate market development strategies in the healthcare sector with other donors.*

An appreciation of or willingness to encourage the role of the commercial private sector in the provision of healthcare products is not equally shared by healthcare development practitioners. Coordinating strategies in the donor and public sector community is important for opening up commercial market opportunities that are free of distortion. As suggested by the commercial market sector in this analysis, a forum of healthcare development professionals and members of the commercial private sector would help achieve a consensus of opinion and of actions to take.

6. CONCLUSION

This assessment has shown the existing and potential involvement of the commercial private sector in the manufacture, distribution, and sale of selected healthcare products in Bangladesh. It has shown that if sufficient incentives exist (acceptable price points, potential for large volume sales, etc.), commercial private sector actors are willing to invest in the production and marketing of products that can be sold to local consumers at the lower end of the economic

spectrum in a commercially viable (sustainable) manner. The assessment also presented some of the constraints holding back greater commercialization of these products to targeted populations in Bangladesh. These include the high cost of distribution and the difficulty of competing with products that are subsidized by donors or government. Finally, the assessment presented some illustrative intervention areas that USAID Bangladesh can consider to promote greater commercialization and outreach.

The authors hope that this study will spur greater discussion on how development agencies can use market development and value chain principles to promote sustainable access of healthcare products for underserved populations in Bangladesh and (possibly) elsewhere.

APPENDIX 1

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APPENDIX 2

Interviews Conducted

Summary of Persons/Companies Interviewed:

Company Name	Contact Person	Contact Address
SQUARE Pharmaceuticals Ltd.	Mr.Muhammadul Haque Director Marketing	Square Centre, 48 Mohakhali C/A, Dhaka – 1212
Bangladesh - GermanLatex Co.Ltd.	Mr.Khandaker Mohiuddin Chief Executive Officer	Plot. 178 &179, Dhaka Export Processing Zone (ext),Savar ,Dhaka
	Md.AI-Fattarukh Ibn Sattar Manager Quality Control	“
	Mr. Nawsher Ally Head of Sales & Marketing	“
AKZO NOBEL(Organon)	Mr.Rahbar A. Anwar Marketing Manager	Organon(Bangladesh)Mascot Plaza, 8th floor,107/A, Sonargaon Janapath,Sector-7,Uttara C/A,Dhaka- 1230, Bangladesh
John Snow , Incorporated(JSI) Deliver (USAID project)	Mr. Muhd. Anwar Hossain Logistics Advisor	House . NE (O)6, Road.92, P.O. Box 6070, Gulshan dhaka, Bangladesh
Novartis	Mr. Salim Solaiman , Head of Marketing, Novartis (Bangladesh)Limited	Pharmaceuticals Division, House. 50, Road.2A, Dhanmondi RA, Dhaka - 1209, Bangladesh,GPO Box431, Dhaka-1000 Bangladesh
Social Marketing Company (SMC)	Ms. Parveen Rasheed Managing Director	SMC TOWER , 33, Banani Commercial Area, Dhaka-1213, Bangladesh
Popular Pharmaceuticals Ltd	Dr.M.A. Malek Chowdhury Director Industrial operations	Industrial Operation ,164,Tongi Industrial Area Tongi, Gazipur-1711, Bangladesh
Incepta Pharmaceuticals Ltd.	Mr.Ehsan Aziz Deputy Manager ,MSD	Ahmed Mansion 24,Shantinagar,Chamelibagh Dhaka- 1217Bangladesh
Popular Group of Companies	Dr. Mustafizur Rahman Managing Director	corporate Office: House.11/A, Road. 2 , Dhanmondi, Dhaka
SK&F BangladeshLtd.	Dr. Shagufta Anwar Marketing Manager	Taneem Square 158,Kemal Ataturk Avenue, Block-E, Banani, Dhaka-1213, Bangladesh
BEXIMCO Pharmaceuticals Ltd	Mr.Rezaul Ahmed Asst.Product Manager Central Product Management Department	Beximco pharmaceuticals Ltd. 19Dhanmondi R/A, Road.7, Dhaka- 1205, Bangladesh
Popular Pharmaceuticals Ltd	Ms.Nadeem Firdousi Director Marketing & Sales	Popular Pharmaceuticals Ltd.House. 25, Road.2, Dhanmondi Dhaka-1205, Bangladesh
Transcom LtdTranscom Distribution Co.Ltd	Mr. S.M.Muannis Deputy general Manager	Gulshan Tower (6th floor)Plot No. 31, Road .53 ,Gulshan North C/A Dhaka- 1212 , Bangladesh
	Mr. Md. Mohiuddin Ahmed ACA Manager- Accounts	“

Company Name	Contact Person	Contact Address
IMPEX Pharmaceuticals (H), M/S. Shanto Enterparise	Mr. Md. Tofazzal Hossain	51, Islampur Road, Dhaka, Amir Medicin Market, 3rd floor, Babubazar Dhaka-1100
M/S Modina Drug House	Md. Abdul Aziz (Rashid)	Sarder Medicine Market, 53, Islampur road Babubazar, Dhaka-1100
ORION Laboratories Ltd.	Md.Quamrul Hassan Director Marketing	Corporate Head Office:153-154 Tejgaon I/A , Dhaka-1208,Bangladesh.
Essential Drugs Company Limited	Mr. Mahbulul Haque Haidary Manager Marketing & Planning	395-397,Tejgaon Industrial Area , Dhaka-1208, Bangladesh
USAID	Sheri-Nauane Jhonson Population,Health and Nutrition officer	U.S agency for International Development American Embassy , Madani Ave, Baridhara, Dhaka-1212
	Mr.Mosleuddin Ahmed Project Management specialist Office of Population Health and nutrition	"
BEACON Pharmaceuticals Limited	Mohammad Akhter Hussain Director Marketing	Orion House:153-154 Tejgaon I/a , Dhaka-1208, Bangladesh
Gono Sashasthaya Pharmaceuticals Limited	Md. Rokunuzzaman Talukder, DeputyDirector,Biponon	Head Office:Mirzanagar Via Savar Cantonment, Dhaka-1344, Bangladesh, Dhaka Office -4, Green square, Green Road, Dhaka-1205
	Dr. Q Maqsud -Al- Islam Medical Director	Head Office:Mirzanagar Via Savar Cantonment, Dhaka-1344, Bangladesh, Dhaka Office -4, Green square, Green Road, Dhaka-1205
SQUARE Pharmaceuticals Ltd.	Mr.Ahmed kamrul Alam,Manager Product Management Department	Square Centre, 48 Mohakhali C/A, Dhaka - 1212
LAZZ Pharma Ltd	Md. Anwar Hossain Medical Director	Panthapath. Kalabagan, pallbai,Uttara/Head Office 64/3,Lakecircus, Kalabagan , MirpurRoad, Dhaka-1205
M/S. KAMAL BROTHRS	MD. KamalUddin Proprietor	22/23Laldighi Hokers Market, Sylhet
M/S , AL -MAHMUD Pharmacy	Dr.Golam Kibria (Faruk) Pharmacist	Jointiapur East Bazer
Social Marketing Company	Md. Sayedul Islam Senior Sales Promotion Officer	Tanimvilla , Anamika A-4, East Shahi Eidgah, Sylhet
North East Medical College , Sylhet ,	Dr. Md. Moazzem Hussain Khan Associate professor & Head of the Department	Chamber: Khan Pharmacy , Shibgonj Bazar, Sylhet
SACMO , H&FWC	Mr. Shahid Mia Sarker	Ali Nagar Golapganj
Al-Amin Pharmacy		Golapganj Bazar
Rural Medical Practitioner (RMP)	Dr.Shafiqul Alam	Jayantapur , Sylhet
Al Mahmud Pharmacy (Blue Star Clinic)	Mr. Golam Kibria Pharmacist	Jayantapur , Sylhet
Private	Dr. Bijit Chandra ,MBBS General Practitioner	Golapganj Bazar

Company Name	Contact Person	Contact Address
Shimantik	Mr. Parvez Alam Program Manager	Sylhet
Central Pharmacy	Mr. Debasish Dey Bashu Proprietor Dey's Pharma	Chouhatta , Sylhet
Range of Pan Shop / Grocery		
TRANSCOM Limited , TRANSCOM Distribution Co. Ltd.	Mr. H.S.M. Imran Branch- In -Charge	Joleswaritola Bogra, Bangladesh
Popular Diagnostic Centre Ltd	Dr. Md.Akhteruzzaman (Raju) Medicine Specialist Dr.Mehar Afroj Senior Gynecologist	Thanthania(West side of Bhae Pagla Mazar), Sherpur Road , Bogra
Social Marketing Company	Mr. Mohammad Mahbulul Hassan Sr.sales promotional officer Mohammad Ziaul Karim Sr.sales Manager	Saikat H-A/36, Block -C, Ward -2, Jaleswaritola, Bogra-5800
Azad Medical Store (Whole seller) Alam Pharmacy (Retailer)		Sharafat Market , Jhautala,Bogra
Al Madina Clinic	Dr.(Lt Col) Raushan Jahan Rosy	Sherpur Road , Bogra
Zahid Traders	Mr. Jahidur Rahman	Fateh ali Bazar , Gudam Market , Bogra
Nahar pharmacy		Sherpur Road , Thanthania, Bogra
Alam Pharmacy		"
Upazila Health &Family Welfare Complex	Medical Officer (MCH) Medical officer In charge	Sherpur Upazila , Bogra
Rural Medical Practitioner (RMP)	Dr. Hirendra Nath Roy	Sabitri Pharmacy , College Road , Sherpur , Bogra
Palli Chikitshak(PC)	Dr. Suvash Kumar Goswami	College Road Sherpur , Bogra
Hasna Medical store	Md. Abdul Karim	Opposite (Upazila Health & Family welfare Centre) UH&FW
Grocery /Panshop	Mr. Gurupada Shaha	College Road Sherpur , Bogra

APPENDIX 3

Interview Guides

INTERVIEW GUIDE FOR ASSESSMENT OF PRIVATE SECTOR HEALTHCARE*

HEALTH CARE PRODUCT PROVIDERS

CONTACT INFORMATION

Interviewer / Date of interview / Firm Name / Principal product /
No. of employees / Owner (or contact) / Legal status / Address / Telephone / Email

MARKET ACCESS

1. What do you see as your main needs/opportunities in getting new customers?
2. To whom do you sell your products (hospitals, private doctors, diagnostic centers, retail suppliers, etc.)? What percentage goes to each?
3. Are some of your customer groups better than others in terms of sales and revenue growth? Which ones?
4. How would you characterize the economic level (very poor, poor, middle-class, upper middle-class, wealthy) of the end-users of your products?
5. How do you promote and market your products?
6. How strong is the market for your products right now? Next year?
7. Do you ever collaborate with other input suppliers on promotion and/or marketing?
8. Do you have a brochure for customers that describe your firm's products?
(Attach company brochures and/or product lists)

TECHNOLOGY / PRODUCT DEVELOPMENT

1. What are your major needs/ opportunities in product design?
2. What are your products in order of contribution to gross revenue?
3. What have you done recently to improve your products?
4. Do some of your employees need additional training? In what skills?

MANAGEMENT/ORGANIZATION

1. In the area of organization and management, what are your major needs/opportunities?
2. What processes do you subcontract?
3. Do you sometimes collaborate with other suppliers in responding to customer orders?
4. Which aspects of your business do you intend to change in the next 2 years (computers, new products, marketing strategy, quality control, management system, worker skills, etc.)?
5. What management skills would you like to strengthen in order to grow your business?

PRODUCT SOURCING

1. What are your major needs/opportunities in sourcing the products you sell?
2. Who are your *most important suppliers* and what do you buy from each?
3. Are there problems in sourcing the products you need? Explain.
4. Have you ever sourced products jointly with other business? Explain.

FINANCE

1. Where do you go when you need money for your business?
2. Do you get credit from suppliers? What are the terms?
3. Do you have need for additional financing at the moment? If so, what would it be used for?

4. What sources (formal or informal) have you approached for loans, and what have been the key problems, if any?

POLICY / ROLE OF PUBLIC SECTOR SUBSIDIES

1. What government policies/regulations benefit your health care products?
2. What government policies/regulations are obstacles to growing your health care products?
3. If subsidies were not present in the industry, how would that affect your business?
4. If subsidies were not present in the industry, what additional products would you offer?
5. What would it take for you to get interested in offering these products on a commercial basis?

INFRASTRUCTURE

1. What are the most important infrastructure constraints affecting your business' growth and profitability (road/transport conditions, telephone service, electric supply, crime/corruption, storage, etc.)?
2. What is your industry doing about these problems?

BUSINESS MEMBERSHIP ORGANIZATIONS

1. Are health care product firms like yours represented by business associations?
If so, please name them.
2. Are you a member?
3. What are the primary functions and benefits of these associations?
4. What additional services should they provide?

FINAL OPEN ENDED QUESTIONS

1. What do you think are the strengths of your industry?
2. What are the main weaknesses of your industry?
3. What do you think is the greatest challenge facing your industry today?
4. Can you name some healthcare product firms who are leaders –for example, in terms of products offered, quality, or marketing?

* **NOTE:** We are defining "Private Sector" = commercial, for-profit entities; and defining "commercial" = no subsidy and no purchases by donors/government.